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NO. 69

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FAR EAST/PACIFIC BRANCH

INTELLIGENCE HIGHLIGHTS NO. 69
21 SEPTEMBER - 27 SEPTEMBER 1949

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

The defection of one of Korea's few coastal freighters to the Communists this week is a blow to the prestige of the Rhee government (p. 2).

The Sinkiang Provincial Government's decision to switch to the Communist side in China completes the collapse of Nationalist resistance in the five provinces of the Northwest (p.2). Meanwhile, the Chinese Peoples' Political Conference has convened in Peiping and the announcement of a new Government for China may take place by 10 October (p. 3).

Indochina's Bao Dai "experiment", in the opinion of observers both in France and on the spot, appears to be going badly (p. 4).

Although the impending end of the monsoon season in Burma presumably means the beginning of widespread insurgent activity, it appears improbable that the Government will be overthrown as a result (p. 5).

Philippine President Quirino has forestalled the calling of an immediate Congressional session by means of a special "loan" to cover current administrative expenses (p. 5).

The marginal notations used in succeeding sections of this weekly ("A", "B", or "C") indicate the importance of the items in B/FE opinion with "A" representing the most important.

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SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

KOREA

Merchant ship defects to Communists--Both the prestige and economy of the Republic of Korea received a blow last week when the crew of the 2,500-ton coastal steamer Kimball Smith deserted to the "Democratic People's Republic" of northern Korea. Aboard the Kimball Smith at the time of the defection were two US merchant marine officers, serving as instructors. No mention of the fate of these men was made in the Radio Pyongyang broadcast which welcomed the ship on its arrival at the Communist port of Chinnampo.

"B"

The Kimball Smith, on a routine cargo run between Pusan and Inchon with a cargo of salt, probably was lost as a result of mutiny by the 46-man Korean crew. It is possible, however, that the ship was lost as a result of piratic action by northern Korean naval forces, in retaliation for Republican naval raids which recently secured "defecting" northern Korean shipping.

CHINA

Collapse in the Northwest--Late developments in northwestern China have effectively excluded both Canton and Taiwan Nationalist authority from the entire area. Following the lightning success of PENG Teh-huai's 1st Field Army offensive into Kansu and Tsinghai, the three provinces of Suiyuan, Ningsia and Sinkiang, in turn, have renounced their affiliation with the Nationalist regime and have accepted the authority of the Communists in Peiping. Nationalist resistance of any strength or character is all but eliminated and only remnant MA forces, which have suffered crushing defeats and are presently capable of nothing more than limited guerrilla actions, are as yet excluded from the rush to the Communist banner.

"A"

PENG's offensive, launched from Shensi in late July, quickly overran both Lanchow, capital of Kansu and the northwest's first city, and Sining, capital of Tsinghai. MA Pu-fang's forces, driven before the Communists and unable to rally for a stand at any point, will find it impossible to exert any significant retarding effect on the present consolidation of Communist control. Elements of PENG's 1st Field Army now are pushing up the Kansu corridor and have reached Wuwei, some 350 miles from the Sinkiang border. Unconfirmed dispatches from Lanchow claim that the Communists have occupied Suchow, 250 miles nearer Sinkiang.

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Pressure from another salient, pushed toward Ningsia, has led to the abrupt capitulation of that province's defenders. MA Pu-fang and MA Hung-kuei, Moslem strong men of the area who received no aid from Generalissimo CHIANG, have both abandoned their forces and are said to have no intention of ever returning to the Northwest, even as anti-Communist guerrilla chieftains. Meanwhile, long-isolated Nationalist authorities in Suiyuan purportedly agreed to be "absorbed" into the Communist orbit, after their old warlord leader, FU Tso-yi, "escaped" from Peiping and arrived in Kueisui, laden with silver to "console" the troops. In Sinkiang, the withdrawal of MA Pu-fang's garrisoning cavalry and infantry forces removed one of the last props of the weak Nationalist provincial regime. These forces, assumed to be seeking a juncture with other MA forces retreating from Lanchow and Sining, are supposed to be somewhere northwest of Kokonor. Following their withdrawal, native Kazakh leaders, who have cooperated with the Nationalists against the rebel Ili group in the past and who possess armed forces of their own, began to seek means of leaving the province. The Nationalist garrison at Hami, eastern terminus of the Sino-Soviet airline which operates in Sinkiang, reportedly defected to the Communists and urged other Sinkiang elements to follow their example. The Sinkiang Provincial Government in Tihwa promptly accepted that advice, severing all connections with the Nationalist Government in Canton on 26 September and accepting the authority of the Communist regime in Peiping. Thus with the end of Nationalist authority in these vast border regions and the total collapse of expected Moslem resistance, the long anticipated conversion of the Northwest to Communist control has now become fact.

Political Consultative Conference meets in Peiping--The long-awaited "all-party" Chinese Peoples' Political Consultative Conference (CPPC) opened in Peiping last week, with Communist Party Chairman MAO Tse-tung delivering the opening address. MAO's speech emphasized the "representative" character of the CPPC, predicted success for the future Government, and declared "let the reactionaries at home and abroad tremble before us." "B"

Theoretically, this plenary session of the CPPC will determine the organization and plans of the new Government. In actuality, the session will merely rubber-stamp fundamental decisions already taken by the Communist-controlled CPPC Preparatory Committee. A series of speeches by first-rank Chinese Communists and their sympathizers served to publicize the "common program" derived from the Preparatory Committee's prior decisions. TUNG Pi-wu, Chairman of the "North China Peoples' Government", outlined the intended political structure of the new regime. Until the convocation of a "National Peoples' Assembly", which will be elected by universal suffrage and will have the task of confirming the provisional constitution, said TUNG, a "Central Government Council", elected by the CPPC, will manage China's internal and external affairs on an interim basis. This Council will control

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the legislative, executive, and judicial activities of the Provisional Government, in consultation with the Standing Committee of the CPPC.

LIU Shao-chi, generally regarded as leader of the aggressively pro-Soviet and orthodox Marxist wing of the Chinese Communist Party, declared that the new Government would pursue the "minimum program" envisaged in Chairman MAO's "New Democracy", and that the complete socialization and communization of China were matters of the "far future." Other speeches were delivered by Chinese Communists, minor party leaders, and by "democratic personages" such as Madame SUN Yat-sen, reaffirming the unity of purpose of farmers, workers, petty bourgeoisie and "national capitalists". These are the groups, according to the CPPC, whose interests coincide in destroying the "reactionaries" and "bureaucratic capitalists" and in rebuilding an independent China. While the CPPC has given no indication of when the new "Peoples' Republic of China" will be officially proclaimed, a possible date is 10 October, the symbolic "double tenth" anniversary of the founding of the Republic.

INDOCHINA

Emperor in distress--The preponderance of present evidence indicates a progressive decline in prospects for success of the Bao Dai experiment. In commenting on the French Overseas Ministry's report on Indochina, writers in the conservative Paris newspaper, Le Monde, have expressed fears that even the anti-Communist nationalists among the Vietnamese, including Bao Dai's own entourage, desire only to "drive the French into the sea." US Consul General Abbott, in Saigon, believes these fears are borne out both by the deliberately intransigent attitude of Bao Dai's Foreign Minister, Nguyen Phan Long and by the increasing exasperation of Vietnamese public opinion in the presence of a deteriorating situation and the failure of the French-Bao Dai negotiations to show any concrete results. Moreover, the likelihood of concrete results is further diminished by current French plans to convene a federal conference of the three Indochinese states, which will delay until some time in 1950 completion of the work of the Commission for the application of the 8 March Agreements. The fact that these agreements first promise internal sovereignty and then proceed to limit it and that participants on the Commission are unable to agree on the transfer of police power from French to Vietnamese control, has produced an impasse.

"A"

Hopes that the position of Bao Dai might be strengthened by support from prominent nationalists and from interested foreign governments are further diminished by other recent developments. Bajpai, Secretary General of the Indian External Affairs Department, recently stated that India's attitude toward Ho Chi Minh would be conditioned more by evidence of his possession or lack of popular support than by evidence that Ho is a

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Moscow puppet. The Indian Consul General at Saigon has confessed his pessimism with respect to the Bao Dai experiment and his feeling that the 8 March Agreements offer only a shadow of independence, even if liberally and loyally implemented by the French, a possibility he seriously questions. Attempts by Bao Dai both to enlist veteran nationalist Tran Trong Kim, in his Government, and to send a good-will mission to Japan have failed. Proposed good-will missions to other neighboring countries are marking time in Saigon, pending as yet unreceived indications that they will be welcomed. In France, growing desperation is indicated by Premier Queuille's query to the US Ambassador as to whether our interest in keeping Indochina free from Communist domination might lead the US to "share this burden with France."

BURMA

Increased rebel activity expected--With the end of the monsoons in mid-October, intensified activity by all insurgent groups, in addition to the current Karen campaign in the hilly Shan States, may be expected to develop throughout large areas of Burma's lowland. Serious curtailment of the 1949-50 rice harvest, export of which provides the Burmese Government with most of its revenues, appears to be the chief threat posed by any such increased activity. If the present balance of political and military power is maintained, however, it is unlikely that the rebels will be able to overthrow the present Government. First, the various rebel groups, still largely disunited or antagonistic to each other, are incapable of mounting a decisive frontal assault upon the Government. Second, the rains have provided the Government a respite and an opportunity to strengthen itself. The UK, India and Pakistan have given Burma some military supplies and the Burmese are reported to have purchased additional arms from France and Italy. Although they have ignored the proffered advice and assistance of the British Military Mission, the Burmese have regrouped and reorganized their Army units to some extent and have recruited and trained new troops, particularly Chin and Kachin personnel. Third, the Government's adoption of more conservative domestic and foreign policies increases the prospects of further economic and military assistance from the West. Although the Government should be able to make some progress against the insurgents during the next few months as a result of these factors, it is still highly improbable that the Government will be able to pacify all Burma in the near future.

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PHILIPPINES

Quirino stalling on Congress session--President Quirino is reportedly attempting a financial maneuver by which he hopes to avoid convening a special session of Congress before the November elections (Weekly Highlights #68). When the Supreme Court declared two executive orders appropriating

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funds for FY 1950 invalid on 16 September, Quirino was faced with the problem of either calling a special session of Congress, since earlier regular sessions had failed to vote the necessary appropriations, or of finding alternate means of providing funds for his government. Having apparently lost control of the Senate, he had reason to fear that a special session might initiate a series of adverse political events. It is now reported that Quirino has directed heads of government departments and bureaus to draw cash advances for a three month period by means of the issuance of warrants on the Philippine Treasurer through the Philippine National Bank. Although government balances were insufficient to cover three months' expenses, the Bank has permitted the necessary overdraft.

Quirino's move probably will be attacked by his political opponents in the current presidential campaign and there are indications that the Nacionalista Party will file an injunction against the Philippine National Bank to stop this disbursement of funds. To date, however, Quirino has successfully thwarted his opponents' attempts to hinder his administration of the government.

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